

DIRECTIVE

WELFARE-TO-WORK

Number: WD01-1

Date: January 8, 2001
69:126:cg:4241

TO: LOCAL WORKFORCE INVESTMENT AREAS
WELFARE-TO-WORK 15 PERCENT SUBGRANTEES
DOL WELFARE-TO-WORK 25 PERCENT SUBGRANTEES
COUNTY WELFARE DEPARTMENT DIRECTORS
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES
EDD EXECUTIVE STAFF
WDB STAFF

SUBJECT: WtW GRANT PROGRAM CLOSEOUT GUIDE **(INACTIVE)**

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance for the closeout process of the Welfare-to-Work (WtW) Grant program.

Scope:

This closeout process applies only to the Local Workforce Investment Areas (LWIA) and the subgrantees of 15 percent WtW grant funds.

Effective Date:

This directive is effective on date of issue.

REFERENCES:

- Title 20 CFR Part 645: WtW Grants; Interim Final Rule
- Title 29 CFR Part 95: Grants and Agreements (Sections 95.27, 95.2, 95.71, 95.72, 95.73)
- Title 29 CFR Part 96: Audit Requirements for Grants, Contracts, and Other Agreements (Section 96.54)
- Title 29 CFR Part 97: Uniform Administrative Requirements for Grants and Cooperative Agreements (Sections 97.3, 97.22, 97.31, 97.33, 97.50, 97.51, and 97.52)
- Office of Management and Budget (OMB) Circular A-87, Subject: Cost Principles for State, Local, and Indian Tribal Governments (August 29, 1997)
- Office of Management and Budget (OMB) Circular A-122, Subject: Cost Principles for Non-Profit Organizations
- OMB Circular A-133, Subject: Audits of States, Local Governments, and Non-Profit Organizations
- Department of Labor (DOL) Technical Assistance Guide (TAG), Subject: WtW Financial Management (July 28, 1999)

STATE-IMPOSED REQUIREMENTS:

This directive contains State-imposed requirements. These requirements are indicated by ***bold, italic*** type.

FILING INSTRUCTIONS:

This directive finalizes Draft Directive WDD-15 issued for comment on November 15, 2000. Retain this directive until further notice.

BACKGROUND:

California received the first year federal WtW grant in State Program Year (PY) 1997/1998 and second year grant in State PY 1999/2000. Eighty-five (85) percent of each federal grant was passed through to the Local Workforce Investment Boards (LWIB) while 15 percent of the grant was held as Governor's discretionary funds for special projects. Allocation of WtW 85 Percent Formula Funds is for expenditure over a three-year period. The 15 percent funds are available for expenditure based on the term specified in the Special Projects subgrant agreement.

The State and subgrantees of WtW grant funds are required to meet administrative requirements, including financial management standards and closeout requirements of Title 29 CFR Parts 95 and 97. Title 29 CFR Sections 95.27 and 97.22 establish the cost principles for determining costs applicable to grants, contracts, and other agreements with federally recognized Indian tribes, non-profit organizations, as well as State and local governments. These requirements and principles should also be followed for closeout activities, with particular attention given to the avoidance of cost overrides or deficits. Any cost overrides or deficits realized for operational and closeout activities must be paid by the subgrantee.

POLICY AND PROCEDURES:

Policy:

Closeout requirements for the WtW Grant Program are contained in Title 29 CFR Section 97.50 or Section 95.71. Both 85 percent and 15 percent WtW Grant subgrantees are required to submit a closeout package in accordance with the instructions contained in the attached closeout guide. It is also the responsibility of the subgrantee to issue closeout instructions to its contractors, providing sufficient time to conduct an orderly closeout of the WtW master subgrant.

All subgrantees receiving WtW 15 Percent funds must submit an End-of-Project Report within 50 days from the project ending date. This report is included in the attached WtW Grant Program Closeout Guide. This report is separate from the closeout package and should be sent to your assigned program manager.

The purpose of the End-of-Project Report is to supplement the participant and expenditure reports and to allow subgrantees to identify the barriers and achievements they experienced that cannot be collected through the reporting process. It also provides an opportunity for subgrantees to further demonstrate the project's effectiveness through anecdotal information. This report will assist the State in identifying common problems and tailoring our future technical assistance.

Procedures:

Costs Charged to the Grant

All WtW Grant allowable costs must be accrued and charged to the grant prior to the subgrant ending date. Costs incurred for participant services after the subgrant term has expired will be disallowed. The closeout of a grant does not affect the subgrantee's obligation to return any funds due as a result of later refunds, corrections, or other transactions. As outlined at 29 CFR 97.50(c)(2) and 29 CFR 95.73, all such funds should be returned to the grantee immediately by mail. It is not necessary to submit revised closeout documents with each instance. It is necessary, however, for a letter to accompany all refunds by mail that include the grant number, program or fiscal year, the source or nature of the refund, and any other pertinent information to assist in properly accounting for the refund.

Considerations in Calculating Closeout Costs

Closeout costs are the administration costs associated with the closeout of the grant or program and are subject to the 13 percent administration cost limit. Necessary and reasonable costs for closeout of the grant may continue to be incurred through the term of the subgrant agreement.

To the extent allowed by the applicable cost principles, actual costs incurred for the closeout may include:

- Costs related to staff reductions, such as unemployment insurance, severance pay, terminal leave, and miscellaneous costs related to health or life insurance coverage, job search training, and printing.
- Costs related to closing of the office, such as penalties for lease terminations, service contract terminations.
- Staff costs to perform closeout activities, such as processing of invoices, adjustments of expenditures, reconciliations, property closeout, and preparation of final reports.
- Audits of grants will be carried out as part of the regular audit of the subgrantee. These audits are procured by the subgrantee in accordance with OMB Circular A-133. The DOL has issued a compliance supplement to implement OMB Circular A-133. These audits are usually conducted on an organization-wide basis rather than on a grant-by-grant basis. Thus, it is possible that such audits encompassing a particular grant or program may not be finalized until after grant or program closeout. If grant funds are to be utilized for audit costs and treated as a direct cost, the grantee must ensure that expenditures are accrued (liquidated) to pay for the portion of the audit prior to submission of final reports.

- Resources on order (unliquidated obligations) which may continue to be liquidated until final reports are submitted.
- Subgrantees should notify all vendors to submit final invoices so that the expenditures can be adjusted to actual disbursements within the allowed time for closeout.

Cash Draws

Subgrantees should closely monitor their cash draws to ensure the total funds drawn do not exceed total cash expenditures. **Once a closeout package has been submitted, subgrantees will have 30 days to complete cash draws.** Failure to do so may result in possible disallowed costs.

SALT Funds

If WtW subgrantees received SALT funds, they must be included in the closeout package. The SALT funds require a separate Closeout Status of Cash and Closeout Summary of Expenditures.

Disposition of Equipment

Governmental Agencies:

For equipment with a fair market value greater than \$5,000 you should take the following steps (29 CFR Part 97.32):

- The subgrantee may use the equipment in the program or project for which it was acquired as long as it is needed, whether or not the project or program continues to be supported by Federal Funds.
- If the equipment is no longer needed by the original program/project, the equipment may be used in other activities currently or previously supported by a Federal agency.
- If the equipment is no longer needed by the program/project or for other activities currently or previously supported by a Federal agency, the subgrantee may retain or sell the equipment and reimburse the state for its share of the equipment. The compensation due to the state is determined by multiplying the current market value or proceeds from the sale by the state's percentage share of the equipment.

The funds should be sent to the following address:

Employment Development Department
Fiscal Programs Division
P.O. Box 826217, MIC 70
Sacramento CA 94230-6217

For equipment with a fair market value of less than \$5,000 you should take the following steps:

- You may retain, sell or dispose of the equipment and nothing needs to be reported to the State.
- However, you should keep a disposition record for your own purposes.

Institutions of higher education, hospitals, other non-profit and commercial entities:

For equipment with a fair market value greater than \$5,000 you should take the following steps (29 CFR Part 95.34):

- The subgrantee may use the equipment in the program or project for which it was acquired as long as it is needed, whether or not the project or program continues to be supported by Federal Funds.
- If the equipment is no longer needed by the original program/project, the subgrantee shall use the equipment in connection with its other federally sponsored activities, in the following order of priority:
 1. Activities sponsored by the state agency that funded the original project.
 2. Activities sponsored by other Federal awarding agencies.
- If the equipment is no longer needed by the program/project or used in connection with other federally sponsored activities, the subgrantee may retain the equipment for other uses provided that the compensation is made to the state. The amount of the compensation shall be computed by applying the percentage of the WtW Grant participation in the original cost of the equipment to the current fair market value of the equipment. You are permitted to deduct and retain from the State share \$500 or ten percent of the proceeds, whichever is less, for your selling and handling expenses.

The funds should be sent to the following address:

Employment Development Department
Fiscal Programs Division
P.O. Box 826217, MIC 70
Sacramento CA 94230-6217

- If the subgrantee has no further use of the equipment and wishes to dispose of the equipment, they must request disposition instructions from the State.

For equipment with a fair market value of less than \$5,000 you should take the following steps:

- You may retain, sell or dispose of the equipment and nothing needs to be reported to the State.

- However, you should keep a disposition record for your own purposes.

Records

Subgrantees must retain *all* records of each allocation for a period of three years from the date of their last expenditure report submitted to the Workforce Investment Division. All equipment records are retained from the date of the disposition, replacement, or transfer. Program income transaction records are retained from the end of the subgrantee's fiscal year in which the income is earned.

Disposition of Disallowed Costs

When a resolution process (such as the Initial and Final Determination process) results in a determination by an awarding agency that WtW funds have been misexpended, a debt is usually established. The awarding agency is expected to collect that debt. The preferred corrective action for disallowed costs from WtW funds is non-Federal cash repayment either as a lump sum or as installments. Stand-in costs may also be used to offset disallowed costs (WtW Financial Management TAG, page 17-11).

The DOL regulations 29 CFR 97.52 and 95.73 provide the requirements for the collection of any amount due the awarding agency. Thus, States and other recipients must hold subrecipients responsible for WtW funds received through a grant and may ultimately hold units of local government and other subrecipients liable for disallowed costs.

ACTION:

Bring this directive to the attention of all affected staff and all subgrantees.

INQUIRIES:

Please direct inquiries about this directive to Dave Rexius, Financial Management Unit, at (916) 654-8502 or Tristyn Schmidt, at (916) 654-7617.

/S/ BILL BURKE
Chief

Attachment is available on the Internet:

WtW Grant Program Closeout Guide
WtW Grant Program Closeout Guide—Forms Supplement (MS Word 97)